

SM
NATIONAL TRUST COMPANY, LIMITED

FINANCIAL STATEMENTS

For Year Ended October 31, 1975

Concord

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of National Trust Company, Limited as at October 31, 1975 and the statements of income, contributed surplus, general reserve and retained earnings for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances and we obtained all the information and explanations we required.

In our opinion, these financial statements present fairly the financial position of the Company as at October 31, 1975 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, November 25, 1975

Clarkson, Gordon & Co.,
Chartered Accountants

BALANCE SHEET AS AT OCTOBER 31, 1975

(WITH COMPARATIVE FIGURES FOR 1974)



ASSETS	1975	1974
Cash and bank deposit receipts _ _ _ _ _	\$ 154,348,042	\$ 144,279,546
Securities: (Note 2)		
Bonds		
Government of Canada and Provinces _ _ _ _	68,545,052	57,406,417
Other bonds and debentures _ _ _ _ _	146,300,978	139,099,661
	214,846,030	196,506,078
Stocks _ _ _ _ _	19,039,858	17,496,562
	233,885,888	214,002,640
Investment income due and accrued _ _ _ _ _	12,942,692	11,976,553
Loans		
Advances to estates, trusts and agencies _ _ _ _	630,253	292,067
Loans on securities _ _ _ _ _	21,200,067	13,672,800
Personal loans _ _ _ _ _	18,471,874	16,641,087
Mortgages _ _ _ _ _	713,554,564	618,288,609
	753,856,758	648,894,563
Other assets _ _ _ _ _	3,519,202	1,621,279
Premises, leasehold improvements and equipment, less accumulated depreciation (Note 3) _ _ _ _	4,422,509	4,522,235
	\$1,162,975,091	\$1,025,296,816

(See accompanying notes to financial statements)

LIABILITIES

1975

1974

Guaranteed Account: (Note 4)

Savings deposits - - - - -	\$ 394,432,051	\$ 324,694,447
Guaranteed investment certificates - - - - -	623,893,033	546,975,149
Term deposits - - - - -	53,191,996	74,865,638
Interest due and accrued - - - - -	16,863,220	15,288,055
	<u>1,088,380,300</u>	<u>961,823,289</u>
Income taxes payable (recoverable) - - - - -	9,735,254	(2,428,298)
Other liabilities - - - - -	1,977,205	2,088,404
Deferred income taxes (Notes 1 and 6) - - - - -	4,534,295	9,920,254

SHAREHOLDERS' EQUITY

Capital Stock

Authorized—5,000,000 shares of \$1 par value		
Issued and fully paid—3,780,798 shares (Note 5) - -	3,780,798	3,779,430
(1974—3,779,430 shares)		
Contributed surplus - - - - -	8,045,948	8,033,294
General reserve - - - - -	44,500,000	40,471,209
Retained earnings - - - - -	2,021,291	1,609,234
	<u>58,348,037</u>	<u>53,893,167</u>
	<u>\$1,162,975,091</u>	<u>\$1,025,296,816</u>

On behalf of the Board E. H. HEENEY, Chairman

J. L. A. COLHOUN, President

STATEMENT OF INCOME

FOR YEAR ENDED OCTOBER 31, 1975 (WITH COMPARATIVE FIGURES FOR 1974)

Income	1975	1974
Interest from mortgage and other loans - - - - -	\$ 66,423,317	\$ 54,987,367
Interest and dividends from investments - - - - -	29,130,361	29,823,601
Fees and commissions - - - - -	19,226,122	16,140,710
Real estate sales commissions - - - - -	2,619,573	2,452,618
	<u>117,399,373</u>	<u>103,404,296</u>
Expense		
Interest on deposits and certificates - - - - -	74,086,657	66,396,576
Salaries and staff benefits - - - - -	17,022,582	14,078,308
Real estate commissions - - - - -	1,606,283	1,513,209
Premises - - - - -	3,535,070	3,123,963
Other - - - - -	7,349,234	6,150,592
	<u>103,599,826</u>	<u>91,262,648</u>
Operating income before taxes - - - - -	13,799,547	12,141,648
Income taxes (Note 6) - - - - -	6,575,732	5,935,690
Net operating income - - - - -	<u>7,223,815</u>	<u>6,205,958</u>
Other net gains after related income taxes (Note 6)		
Sale of investments - - - - -	13,837	76,641
Sale of premises - - - - -	189,502	-
Net income—transferred to retained earnings - - - - -	<u>\$ 7,427,154</u>	<u>\$ 6,282,599</u>
Earnings per share (Note 1)		
Net operating income - - - - -	\$1.91	\$1.64
Other net gains - - - - -	.05	.02
Net income - - - - -	<u>\$1.96</u>	<u>\$1.66</u>

(See accompanying notes to financial statements)

Extraordinary items

STATEMENT OF RETAINED EARNINGS

FOR YEAR ENDED OCTOBER 31, 1975 (WITH COMPARATIVE FIGURES FOR 1974)

	1975	1974
Balance at beginning of year - - - - -	\$ 1,609,234	\$ 1,971,344
Add: Net income for the year - - - - -	7,427,154	6,282,599
	<u>9,036,388</u>	<u>8,253,943</u>
Deduct:		
Dividends aggregating 79 cents per share (70 cents per share in 1974) - - - - -	2,986,306	2,644,709
Transfer to general reserve - - - - -	4,028,791	4,000,000
	<u>7,015,097</u>	<u>6,644,709</u>
Balance at end of year - - - - -	<u><u>\$ 2,021,291</u></u>	<u><u>\$ 1,609,234</u></u>

STATEMENT OF GENERAL RESERVE

FOR YEAR ENDED OCTOBER 31, 1975 (WITH COMPARATIVE FIGURES FOR 1974)

Balance at beginning of year - - - - -	\$40,471,209	\$36,471,209
Add: Transfer from retained earnings - - - - -	4,028,791	4,000,000
	<u>\$44,500,000</u>	<u>\$40,471,209</u>

STATEMENT OF CONTRIBUTED SURPLUS

FOR YEAR ENDED OCTOBER 31, 1975 (WITH COMPARATIVE FIGURES FOR 1974)

Balance at beginning of year - - - - -	\$ 8,033,294	\$ 7,974,322
Add: Proceeds in excess of par value of Capital Stock issued during year - - - - -	12,654	58,972
	<u>\$ 8,045,948</u>	<u>\$ 8,033,294</u>

NOTES TO FINANCIAL STATEMENTS

AS AT OCTOBER 31, 1975

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles. Accounting policies of particular significance are set out below.

a) Investments

Bonds and mortgages are included at amortized cost; discounts and premiums are amortized over the term to maturity. Other loans and stocks are included at cost. Provision is made for all anticipated losses.

b) Premises and Equipment

Premises, leasehold improvements and equipment are recorded at cost. Depreciation is based on the estimated useful life of the assets, calculated on a straight-line or diminishing balance method as considered most appropriate for each type of asset.

c) Income Taxes

Income taxes are provided on reported income in accordance with the tax allocation method. Under this method timing differences between reported and currently taxable income are provided for in the form of deferred income taxes. The timing differences relate principally to

- i) depreciation
- ii) reserves deductible for tax purposes against possible future losses on certain mortgages and bonds; and
- iii) accrued interest income—however, the income tax deferral associated with accrued interest income ceased at the end of the 1975 taxation year.

Operating income before taxes includes non-taxable dividends; accordingly, the apparent effective tax rate is less than the general corporate rate.

d) Income

Investment income and interest expense are recorded on the accrual basis. Fees and commissions are recorded as earned except for certain fees from estates and trusts which are included in income only upon final approval, usually by the courts. Salaries and other operating expenses are recorded on the accrual basis.

e) Earnings per Share

Earnings per share are based on the weighted average of shares outstanding during the period.

2. SECURITIES

Cost and market values, in thousands of dollars, at October 31, are:

	1975		1974	
	Cost	Market	Cost	Market
Bonds				
Government of Canada - - - - -	\$ 17,725	\$ 15,779	\$ 34,758	\$ 32,426
Provinces of Canada - - - - -	50,820	47,932	22,649	19,709
Municipalities - - - - -	15,357	14,321	13,106	11,831
Other—maturing within one year - - - -	69,254	69,252	68,804	68,704
—other maturities - - - - -	61,690	56,009	57,189	50,077
	214,846	203,293	196,506	182,747
Stocks - - - - -	19,040	22,104	17,497	19,147
	<u>\$233,886</u>	<u>\$225,397</u>	<u>\$214,003</u>	<u>\$201,894</u>

3. OFFICE PREMISES

Office premises, equipment and leasehold improvements are stated at cost less accumulated depreciation. The accumulated depreciation at the end of the year was \$2,417,690 (1974—\$2,001,826). Depreciation included in operating expenses amounted to \$451,614 (1974—\$380,779).

4. ASSETS HELD FOR GUARANTEED DEPOSITS AND ACCRUED INTEREST

		(Thousands of dollars)	
		1975	1974
Cash and bank deposit receipts	- - - - -	\$ 151,047	\$124,075
Securities	- - - - -	184,596	189,310
Mortgages	- - - - -	713,079	618,246
Other loans	- - - - -	39,658	30,192
		<u>\$1,088,380</u>	<u>\$961,823</u>

5. SHARE CAPITAL AND EMPLOYEE STOCK OPTIONS

Options forfeited amounted to 200 shares and options exercised during the year and still outstanding at October 31st, 1975 are as follows:

Year Granted	Option Price	Exercised during year		Outstanding	
		Number of Shares	Total Value	Number of Shares	Expiry Date
1967	\$ 8.25	—	\$ —	662	1977
1969	10.25	1,368	14,022	5,642	1979
1971	13.50	—	—	1,600	1981
1972	19.625	—	—	18,280	1982
1974	22.00	—	—	18,120	1984
	Totals 1975	<u>1,368</u>	<u>\$14,022</u>	<u>44,304</u>	
	Totals 1974	<u>6,396</u>	<u>\$65,368</u>	<u>45,872</u>	

The exercise of options outstanding would not materially dilute earnings per share.

6. INCOME TAXES

Income taxes, current and deferred, have been provided in the Statement of Income as follows:

		1975		1974	
		On operating income	On other income	On operating income	On other income
Current	- - - - -	\$11,961,681	\$(468,659)	\$1,788,663	\$(230,199)
Deferred	- - - - -	(5,385,949)	—	4,147,027	—
		<u>\$ 6,575,732</u>	<u>\$(468,659)</u>	<u>\$5,935,690</u>	<u>\$(230,199)</u>


Income taxes payable in 1975 include a provision for tax on investment income accrued but not yet received. In prior years income taxes provided on such income were not payable on a current basis and were therefore included in deferred income taxes. At October 31, 1974, deferred income taxes of \$6,035,385 were related to such income.

7. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid to directors and senior officers amounted to \$661,168 (1974—\$638,870).

8. CONTRACTUAL OBLIGATIONS

Contractual obligations in respect of leases expiring between 1975 and 1998 amount to \$18,423,893 (1974—\$19,015,254) at the end of the year. Rents paid in 1975 amounted to \$1,806,635 (1974—\$1,644,877).



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National Trust Co. Ltd., Toronto

Year ~~1900~~ Oct 31 7,224 6,206 1.91 1.64 117,599 103,404

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NATIONAL TRUST

In the year ended Oct. 31, 1975, National Trust Co. Ltd.

had ~~a~~ extraordinary gain^{of} of \$189,502 on sale of premises,

and ~~a~~ ~~loss~~ of \$13,837 on sale of investments, making final profit

\$7,427,154 or ~~a~~ \$1.96 a share. ^{In the} ~~year~~ ^{period,} ~~earlier~~ there was

a gain of \$76,464 on sale ~~of~~ of investments, ~~that made~~ ^{making} final profit

~~of~~ \$6,282,599 or \$1.66 a share.

Assets at the end of the 1975 period totalled \$1.16-billion,

^{\$ 1.03 =}
compared with ~~\$1.03~~ billion a year earlier.

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